

FUTURES THROUGH CHOICES, INC.
FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Futures Through Choices, Inc.
Bountiful, Utah

We have audited the accompanying statements of financial position of Futures Through Choices, Inc. (A non-profit corporation) as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Futures Through Choices, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2006 on our consideration of Futures Through Choices' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Wood Richards & Associates

Ogden, Utah
November 28, 2006

FUTURES THROUGH CHOICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash	\$ 1,218,876	\$ 779,539
Investments	898,958	801,565
Accounts Receivable	703,199	811,599
Prepaid Expenses and Deposits	60,615	71,814
Note Receivable - Related Party	-	46,000
Property and Equipment	656,000	775,588
Accumulated Depreciation	(395,346)	(495,741)
Total Assets	\$ 3,142,302	\$ 2,790,364
LIABILITIES		
Accounts Payable	\$ 70,411	\$ 100,054
Accrued Expenses	611,362	489,025
Compensated Absences	79,472	84,787
Total Liabilities	761,245	673,866
NET ASSETS		
Unrestricted:		
Designated	960,654	979,847
Available	1,420,403	1,136,651
Total Net Assets	2,381,057	2,116,498
Total Liabilities and Net Assets	\$ 3,142,302	\$ 2,790,364

See accompanying notes to financial statements.

FUTURES THROUGH CHOICES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2006 and 2005

CHANGES IN UNRESTRICTED NET ASSETS	2006	2005
Revenue and Support		
D.S.P.D.	\$ 5,584,581	\$ 5,340,128
Supported Employment Revenue	280,089	182,906
Supported Living Revenue	397,310	386,859
DFS Revenue	712,816	797,403
Youth Corrections	126,171	94,625
Other Program Revenue	231,983	155,826
Client Rent	353,239	358,935
Interest and Dividends	80,593	33,853
	<hr/>	<hr/>
Total Unrestricted Revenue and Support	7,766,782	7,350,535
	<hr/>	<hr/>
Expenses		
Program Services:		
Residential for the Disabled	6,847,380	6,572,684
Support Services:		
General and Administrative	654,843	676,581
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Total Expenses	7,502,223	7,249,265
	<hr/>	<hr/>
Change in Unrestricted Net Assets	264,559	101,270
Net Assets at Beginning of Year	2,116,498	2,015,228
	<hr/>	<hr/>
Net Assets at End of Year	\$ 2,381,057	\$ 2,116,498
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See accompanying notes to financial statements.

FUTURES THROUGH CHOICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 and 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	2006	2005
Cash Received From:		
State of Utah - D.S.P.D.	\$ 5,692,981	\$ 5,149,377
Supported Employment Revenue	280,089	182,906
Supported Living Revenue	397,310	386,859
DFS Revenue	712,816	797,403
Youth Corrections	126,171	94,625
Other Program Revenue	231,983	155,826
Client Rent	353,239	358,935
Interest and Dividends	80,593	33,853
Cash Paid To:		
Employees	(5,076,620)	(4,612,381)
Suppliers and Contractors	(2,256,572)	(2,608,847)
Net Cash From Operating Activities	541,990	(61,444)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(97,393)	(254,000)
Acquisition of Property and Equipment	(51,260)	(145,024)
Net Cash From Investing Activities	(148,653)	(399,024)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Note Receivable - Related Party	46,000	(46,000)
Net Cash From Financing Activities	46,000	(46,000)
Net Increase in Cash	439,337	(506,468)
Cash, Beginning of Year	779,539	1,286,007
Cash, End of Year	\$ 1,218,876	\$ 779,539
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 264,559	\$ 101,270
ADJUSTMENT TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	70,453	63,398
Changes in Operating Assets and Liabilities:		
Accounts Receivable	108,400	(190,751)
Prepaid Expenses and Deposits	11,199	(9,493)
Accounts Payable	(29,643)	8,142
Accrued Expenses	122,336	(34,010)
Compensated Absences	(5,314)	-
Total Adjustments	277,431	(162,714)
Net Cash Provided by Operating Activities	\$ 541,990	\$ (61,444)

See accompanying notes to financial statements.

**FUTURES THROUGH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005**

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Futures Through Choices, Inc. was incorporated on July 1, 1995 for the purpose of providing residential facilities and training for developmentally disabled/mentally retarded persons. Assets were transferred from a not-for-profit corporation (the Private Industry Council) to Futures Through Choices, Inc. These transfers followed the guidelines of Utah and Internal Revenue Service laws and regulations.

Basis of Accounting

The Corporation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment are carried at cost. Expenditures for property and equipment are capitalized. Depreciation is provided using the straight-line method at rates based on estimated useful lives.

Compensated Absences

The Corporation's employees accrue personal leave, or compensated absences based on the length of service. The value of accumulated benefits earned by employees, which may be used in subsequent years or paid upon termination or retirement, is recorded as a liability on the Statements of Financial Position.

**FUTURES THROUGH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005**

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Futures Through Choices, Inc. is exempt from federal income taxes; under Section 501(c)(3) of the Internal Revenue Code. Futures Through Choices, Inc. is also exempt from Utah income taxes, and therefore, has made no provision for federal or state income taxes.

Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates. The Corporation does not believe that any of its accounts receivable will prove uncollectible. Accordingly, a reserve for bad debts has not been recorded.

B. CASH

The Corporation's cash is categorized below to give an indication of the level of risk assumed by the Corporation. The carrying amounts of the Corporation's deposits, bank balances, and uninsured deposits at June 30, 2006 and 2005 are shown below:

	<u>Insured (FDIC)</u>	<u>Uninsured</u>	<u>Bank Balances</u>	<u>Carrying Amounts of Deposits</u>
2006	<u>\$ 100,000</u>	<u>\$ 1,160,780</u>	<u>\$ 1,260,780</u>	<u>\$ 1,218,876</u>
2005	<u>\$ 100,000</u>	<u>\$ 719,125</u>	<u>\$ 819,125</u>	<u>\$ 779,539</u>

C. INVESTMENTS

The Corporation's investments at June 30, 2006 and 2005 consist of 5 year certificates of deposit recorded at market value as summarized below:

<u>Fund</u>	<u>Share Balance</u>	<u>Value per Share</u>	<u>Market Value at 2006</u>	<u>Market Value at 2005</u>
America First Credit Union (CD)	N/A	N/A	\$686,403	\$599,253
Weber State Credit Union (CD)	N/A	N/A	212,555	202,312
			<u>\$898,958</u>	<u>\$801,565</u>

Certificates mature in April of 2010.

FUTURES THROUGH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

D. PROPERTY AND EQUIPMENT

	<u>2006</u>	<u>2005</u>
Leasehold Improvements	\$ 188,259	\$ 171,006
Furniture and Equipment	467,741	604,582
	<u>\$ 656,000</u>	<u>\$ 775,588</u>

Depreciation expense for the years ended June 30, 2006 and 2005 were \$70,453 and \$63,398, respectively.

E. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

F. REVENUES

The Corporation receives approximately 72% of its revenue from the Utah Division of Services for People with Disabilities (D.S.P.D.). Currently, the Corporation is servicing approximately 157 individuals at 26 residential sites.

G. DEFINED CONTRIBUTION PLAN

The Corporation has a defined contribution plan covering all employees after they have worked for one year and at least 1,000 hours. The Corporation matches 75% of the employee's contribution, not to exceed \$3,000 in one year. As of June 30, 2006 and 2005, there were 19 employees receiving a matching benefit. The total employer contributions for the years ended June 30, 2006 and 2005 were \$23,925 and \$21,945, respectively.

H. DESIGNATIONS OF UNRESTRICTED NET ASSETS

It is the policy of the Board of Directors of the Corporation to review its capital needs on an annual basis. The purpose of these designations is to assure adequate financing for ongoing needs and future plans. The Board approved the following designations at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Property and Equipment	\$ 260,654	\$ 279,847
Working Capital	500,000	500,000
Capital Equipment Replacement	100,000	100,000
New Program Development	100,000	100,000
	<u>\$ 960,654</u>	<u>\$ 979,847</u>

**FUTURES THROUGH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005**

I. RELATED PARTY TRANSACTIONS

The Corporation leases six buildings from KT&T, a not-for-profit organization. KT&T and the Corporation are related through common management. The nonprofit purpose of KT&T is to provide low income housing for developmentally disabled individuals. The Corporation pays monthly rent of \$7,747 on these six buildings.

The Corporation also leases three other properties from LCCS (Life Choices & Counseling Services) a not-for-profit organization. The Corporation and LCCS are related through common management. The nonprofit purpose of LCCS is to provide low-income housing for developmentally disabled individuals. The Corporation pays rent for these three properties of \$5,797 per month.

Two other properties are leased to other related parties. These properties are also used to provide low-income housing for developmentally disabled individuals. The Corporation pays rent for these two properties of \$2,355 per month.

At the beginning of the fiscal year the Corporation had loaned \$46,000 to Futures Through Training, Inc., a not-for-profit corporation. This loan was repaid by Futures Through Training, Inc. The Corporation and Futures Through Training, Inc. are related through common management.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Futures Through Choices, Inc.
Bountiful, Utah

We have audited the financial statements of Futures Through Choices, Inc. (a nonprofit corporation) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Futures Through Choices' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Futures Through Choices' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
November 28, 2006
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This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, UT
November 28, 2006

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

Futures Through Choices, Inc.
Bountiful, Utah

We have audited the financial statements of Futures Through Choices, Inc., a nonprofit corporation, for the year ended June 30, 2006, and have issued our report thereon dated November 28, 2006. As part of our audit, we have audited Futures Through Choices' compliance with the requirements of the provider contracts determined to be major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. Futures Through Choices received the following major assistance programs from the State of Utah:

DSPD Services
DFS Services
Youth Corrections

The management of Futures Through Choices is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Futures Through Choices' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Futures Through Choices complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended June 30, 2006.

Wood Richards & Associates

November 28, 2006



Royce J. Richards, J. D., CPA
Lynn J. Wood, CPA

Board of Directors
Futures Through Choices, Inc.

We have recently completed our audits for the years ended June 30, 2006 and 2005.
We noted the following items for your consideration:

1. Noncash credits – It is occasionally necessary for Tara to adjust accounts receivable. We recommend you develop a form that lists the amount of the adjustment and the explanation. This form should be reviewed and signed by Jerry.
2. W-9 forms and 1099s – The I.R.S. is placing new emphasis on what they call "back-up withholding." In order to protect yourselves it is best to have W-9s on file for almost every vendor. We recommend you update your files in this area.

We appreciate the cooperation we received during the audits.

Sincerely yours,

Wood Richards & Associates

Wood, Richards & Associates

CERTIFIED PUBLIC ACCOUNTANTS